STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-322

April 30, 2003

NORTHERN UTILITIES, INC.,
Request for Approval of Reorganization
(Merger and Related Transactions)

ORDER

Welch, Chairman; Nugent and Diamond, Commissioners

I. SUMMARY

We approve the bare steel facilities replacement program proposed by Northern Utilities, Inc. (Northern) as set forth in this order.

II. BACKGROUND

On January 15, 2003, because inadequate progress had been made on satisfying the requirements of our June 30, 2000 Order in this proceeding approving the NiSource Columbia merger, we ordered Northern to begin actively evaluating the integrity of its bare steel mains and services and small-diameter cast iron mains. On March 12, 2003, we approved Northern's proposed dates for completion of its integrity evaluations of all its bare steel services and small diameter cast iron pipe.

Northern provided its evaluation of its approximately 7.85 miles of bare steel mains and over 1,942 bare steel services in accordance with criteria established in our January 15th Order and the time frames to which it had committed. Northern continued to collaborate with our Gas Safety Inspector on refinements to the evaluation rankings and on replacement program parameters, as instructed in our order. On March 21, 2003, Northern filed data spreadsheets indicating facilities evaluation scoring for all bare steel mains and services, consistent with the January 15th Order and its subsequent discussions with the Gas Safety Inspector.

III. DISCUSSION

Northern's March 21st filing recommended that thresholds of 33 and 14, respectively, be established for integrity and replacement scoring purposes. Northern explained that once a segment of bare steel main achieves a score greater than either threshold, Northern will schedule that segment for replacement during the next construction season. Northern proposes to continue its current practice of replacing bare steel services upon the occurrence of the first leak.

In addition, our Gas Safety Inspector and Northern have developed a document that provides additional detail on the terms of the agreed-upon bare steel facilities replacement plan. This document, designated as Attachment A, is incorporated in this Order. It outlines the revised ranking criteria now agreed to by Northern and our Gas Safety Inspector as a result of work and discussions that took place subsequent to our

January 15th Order. The replacement thresholds have been restated as those facilities that *exceed* an integrity ranking of 32 or a replacement ranking of 13. The plan establishes that the annual evaluation for each calendar year will be due on January 31 to allow sufficient time during the fall and early winter for the Company to complete work on pending Class 2 leaks and to avoid having any such leaks "double counted" the following year or unnecessarily becoming a burden to track.

Also included with this Order, as Attachments B and C, are revised tables showing the rankings for all of Northern's operating bare steel mains and services. These tables have been reformatted since Northern's March 21st filing to include a column for tracking the year that a segment or service is replaced, and changes to the page and column headings. These tables constitute Northern's 2002 evaluation. An updated evaluation will be completed for 2003 under the terms of the established plan.

Under the rating system of the replacement plan, Northern is required to replace in 2003 five bare steel main segments that currently exceed the replacement threshold of 13. However, the Gas Safety Inspector and Northern have agreed that one of these segments, Segment #111, will instead be replaced in 2004 as part of a bridge construction project to allow the Company to replace it on a more economic schedule since a replacement made in 2003 would be removed or disturbed when the bridge comes under construction in 2004. Given that the segment is not considered unsafe for use in 2003, we find a one-year waiver of the replacement plan terms for Segment #111 reasonable.

We commend Northern for its conscientious effort to comply with our directive to evaluate its facilities and to cooperate with our Gas Safety Inspector to develop a bare steel facilities replacement plan. We find the proposed bare steel facilities replacement plan reasonable and approve it.

Accordingly, we

O R D E R

That the bare steel facilities replacement plan developed by Northern Utilities, Inc. and our Gas Safety Inspector and described in this Order is approved.

Dated at Augusta, Maine, this 30th day of April, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.